FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019062573101

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Wells Fargo Clearing Services, LLC (Respondent)
Member Firm
CRD No. 19616

Pursuant to FINRA Rule 9216, Respondent Wells Fargo Clearing Services, LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Wells Fargo Clearing Services has been a FINRA member since 1987. The firm, which has more than 19,000 registered representatives, maintains its principal place of business in St. Louis, Missouri.[1]

OVERVIEW

From at least 2011 through February 2023, Wells Fargo Clearing Services submitted approximately 22,000 blue sheets to FINRA that inaccurately reported one or more of 10 types of transaction information. Collectively, the firm failed to include required transactions or transaction information, or included incorrect information, for approximately 5.5 million transactions. Therefore, WFCS violated FINRA Rules 8211, 8213, and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of a self-disclosure made by Wells Fargo Clearing Services pursuant to FINRA Rule 4530.

[1] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

Federal securities laws and FINRA rules require that member firms submit trade data in an automated format (commonly known as "blue sheets") when requested by FINRA, as well as by the SEC and other regulators. Regulators request blue sheets to assist them in investigating potential trading violations, including, for example, market manipulation and insider trading. Blue sheets provide regulators with critical information about transactions, including the name of the account owner, the nature of the transaction (whether it was a purchase, sale, or short sale), and the price at which the transaction occurred. It is therefore an essential and fundamental obligation of each member firm to provide complete, accurate, and timely blue sheets.

The failure of a member firm to provide complete and accurate blue sheets in response to a regulatory request can impact a regulator's ability to discharge its obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with its ability to protect investors and the market.

FINRA Rules 8211 and 8213 require that member firms submit trade data, as prescribed in FINRA Rule 8211, to FINRA upon request. A violation of FINRA Rules 8211 or 8213 also constitutes a violation of FINRA Rule 2010, which requires that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

From at least 2011 through February 2023, Wells Fargo Clearing Services submitted approximately 22,000 blue sheets to FINRA that contained inaccurate information. The firm initially disclosed to FINRA three separate software coding errors that caused the firm to misreport the exchange where trades were executed and to misidentify the registered representative for trades. Subsequently, FINRA discovered that Wells Fargo Clearing Services reported customer names and addresses as "Privacy Protected" on certain blue sheets, instead of reporting the actual names and addresses of the customers.

Wells Fargo Clearing Services then reviewed its prior blue sheet submissions and reported to FINRA additional blue sheet errors caused by software coding issues. In particular, the firm's blue sheet submissions contained inaccurate information with respect to (among other things): the exchanges where additional trades were executed (other than those the firm previously disclosed earlier); the taxpayer identification indicators for a certain account; average price indicators; the order execution time of certain dividend reinvestments; buy/sell codes for certain options transactions; and state and/or zip code information.

In total, these errors affected approximately 22,000 blue sheet submissions to FINRA that, collectively, contained inaccurate information about approximately 5.5 million transactions.

By failing to submit accurate and complete blue sheets to FINRA, Wells Fargo Clearing Services violated FINRA Rules 8211, 8213, and 2010.[2]

[2] Errors on the firm's blue sheet submissions to the SEC are the subject of an SEC Order Instituting Administrative and Cease-and-Desist Proceedings.

SANCTIONS CONSIDERATIONS

In determining the appropriate sanctions in this matter, FINRA considered, among other factors, the number of inaccurate blue sheets submitted by Wells Fargo Clearing Services to FINRA and the number of transactions impacted by the errors. FINRA also considered that the firm discovered and self-reported the errors at issue, quickly remediated the errors, promptly corrected and resubmitted the impacted blue sheets to FINRA, and devoted substantial resources to significantly enhancing its blue sheet procedures and controls. In addition, FINRA considered that, on its own initiative, Wells Fargo Clearing Services hired an outside consultant to conduct a comprehensive review of the firm's blue sheet reporting over a seven-year period to identify and scope the firm's errors, and to assist with resubmissions of prior blue sheet submissions. Following the outside consultant's review, the firm instituted additional controls relating to blue sheet submissions, and is in the process of instituting pre-submission review procedures and additional post-submission controls. Wells Fargo Clearing Services also designed and implemented a new blue sheet governance framework to monitor and assess its reporting processes, technology, and controls.

B. Respondent also consents to the imposition of the following sanctions:

- a censure; and
- a $900,000 fine

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

December 10, 2024

Date

Paul Lacey

Wells Fargo Clearing Services, LLC
Respondent

Paul Lacey
Executive Vice President
Head of Operations, Wealth and Investment Management

Reviewed by:

Ariel Gursky

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Ben A. Indek
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New York, NY 10178-0060

[redacted]

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

December 20, 2024

Philip J. Berkowitz

Date

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